

Message Text

CONFIDENTIAL

PAGE 01 LONDON 12140 061825Z

73

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 PA-01 PRS-01

/077 W

----- 102154

R 061812Z AUG 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 3574

C O N F I D E N T I A L L O N D O N 1 2 1 4 0

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652: XGDS-1

TAGS: EFIN, UK

SUBJECT: CONVERSATION WITH CHANCELLOR HEALEY ON ANTI-
INFLATION PROGRAM AND H.M. TREASURY REORGANIZATION

SUMMARY: CHANCELLOR APPEARS GENUINELY OPTIMISTIC THAT THE GOVERNMENT'S ATTACK ON INFLATION WILL WORK AND THAT THE MAJOR UNIONS WILL COOPERATE. HE HAD JUST WON AN INTERNAL BATTLE AFTER LENGTHY TALKS WITH THE CABINET ON PROPOSALS TO CONTROL PUBLIC EXPENDITURE OVER THE MEDIUM TERM AND SEEMED CONFIDENT THAT THE CABINET IS FIRM IN ITS RESOLVE TO DEAL WITH INFLATION AND INCREASE PRODUCTIVITY, EVEN AT THE COST OF ALLOWING UNCOMPETITIVE FIRMS TO FAIL. END SUMMARY.

1. DURING BRIEF DISCUSSION ON AUGUST 4 WITH FINANCIAL ATTACHE, CHANCELLOR HEALEY EXUDED CONFIDENCE THAT THE GOVERNMENT'S PROGRAM TO REDUCE THE RATE OF INFLATION TO 10 PERCENT AT AN ANNUAL RATE BY NEXT SEPTEMBER WILL BE GENERALLY SUCCESSFUL. HE SAID THE UNIONS, INCLUDING THE MINERS ARE AGREED ON THE NEED TO SUPPORT THE GOVERNMENT'S PROPOSALS. HE SEEMED MORE CONCERNED ABOUT THE MEASURES THAT
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 12140 061825Z

WOULD NEED TO BE ESTABLISHED LATE NEXT YEAR TO REPLACE THE

CURRENT PROGRAM. HE HAD SPENT A FOUR-HOUR SESSION WITH THE CABINET AT CHEQUERS THAT MORNING DISCUSSING THE NEED TO CONTROL AND REDUCE PUBLIC EXPENDITURE DEFICITS AND OBVIOUSLY CONSIDERED HE HAD WON A BATTLE. MOST OF THE BUDGET REVIEW DEALT WITH MEDIUM-TERM SPENDING PLANS, BUT THE CHANCELLOR DID SAY THAT THERE WOULD BE MORE FAILURES OF UNPRODUCTIVE FIRMS THAT COULD NOT SURVIVE IN A COMPETITIVE CLIMATE AND THAT THE GOVERNMENT WOULD NOT BE PROVIDING THEM WITH ARTIFICIAL RESPIRATION.

2. THE CHANCELLOR EXUDED CONFIDENCE, HOPED THAT WITHIN 2 TO 3 YEARS HE WOULD HAVE THE U.K. FIT AND COMPETITIVE. HE ACKNOWLEDGED THAT HE WAS TIRED PHYSICALLY AND HOPED HE WOULD HAVE THE STAMINA TO PERSONALLY MAINTAIN THE EFFORT.

3. HE BRIEFLY ALLUDED TO THE FORTHCOMING REORGANIZATION OF H.M.TREASURY (DETAILS BY SEPTTEL) SAYING IT WOULD PUT H.M. TREASURY MORE DIRECTLY INTO CONTACT WITH THE INDUSTRIAL SECTOR OF THE ECONOMY. HE REPORTED THAT W.S. RYRIE OF HM TREASURY IS BEING NAMED TO REPLACE TONY RAWLINSON IN WASHINGTON (WITH RYRIE TAKING UP RESIDENCE IN MID-OCTOBER); THAT RAWLINSON WOULD BE ASSIGNED TO THE DEPARTMENT OF INDUSTRY AND THAT ALAN LORD WOULD BE SHIFTING FROM THE DEPARTMENT OF INDUSTRY TO H.M. TREASURY AS A NEW SECOND PERMANENT SECRETARY CHARGED WITH INDUSTRIAL POLICY AND THE DOMESTIC ECONOMIC SECTOR. THE CHANCELLOR ACKNOWLEDGED THAT LORD CAN BE ABRASIVE BUT INDICATED THAT HE SEES LORD AS A STRONG CHOICE TO BE THE EVENTUAL SUCCESSOR TO SIR DOUGLAS WASS, CURRENTLY PERMANENT SECRETARY IN H.M. TREASURY.

RICHARDSON

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DIPLOMATIC DISCUSSIONS, ANTIINFLATIONARY PROGRAMS, ORGANIZATION & MANAGEMENT
Control Number: n/a
Copy: SINGLE
Draft Date: 06 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LONDON12140
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: X1
Errors: N/A
Film Number: D750272-0032
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750878/aaaacqsj.tel
Line Count: 93
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 24 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 JUN 2003 by BoyleJA>; APPROVED <05 NOV 2003 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CONVERSATION WITH CHANCELLOR HEALEY ON ANTI- INFLATION PROGRAM AND H.M. TREASURY REORGANIZATION
TAGS: EFIN, UK, (HEALEY, DENIS)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006